

## AMERICAN EXPRESS CENTURION BANK

### Business

American Express Centurion Bank (“AECB”) was incorporated under Utah law as an industrial loan company in 1987 and received FDIC insurance in 1989. Its principal office is located at 4315 South 2700 West, Salt Lake City, Utah 84184. AECB is a wholly-owned subsidiary of American Express Travel Related Services Company, Inc. (“TRS”).

The information about AECB presented below is qualified in its entirety by reference to and should be read in conjunction with AECB’s Call Reports for each of the years ended December 31, 2004, 2003 and 2002.

AECB issues the Optima Card, Blue from American Express and other American Express branded revolving credit cards in the United States and owns most of the receivables arising from the use of these Cards. In addition, AECB has outstanding lines of credit in association with certain Charge Cards and offers unsecured loans to Cardmembers in connection with their Sign & Travel and Extended Payment Option. The Sign & Travel program gives qualified United States Cardmembers the option of extended payments for airline, cruise and certain travel charges that are purchased with the Charge Card. The Extended Payment Option offers qualified United States Cardmembers the option of extending payment for certain charges on the Charge Card in excess of a specified amount.

In addition to earning finance charge revenues, AECB also receives revenue from Optima Cardmember fees and discount revenue from service establishments. The Optima account is offered in different versions with a variety of features and terms, including cards with differing rates, fees and grace periods, and cards with additional features such as rebates.

In April 2004, AECB entered into a transaction with an affiliate, American Express Bank, FSB (“FSB”) wherein AECB sold the Co-Brand, OPEN: The Small Business Network <sup>SM</sup> and Consumer Banking assets to the FSB and the FSB assumed certain AECB liabilities including the retail deposit portfolio. The transaction was based on net book value and no gain or loss was recorded.

Total loans from lending activities were \$10.4 billion, \$19.1 billion and \$16.8 billion as of December 31, 2004, 2003 and 2002, respectively. AECB’s charge-offs, net of recoveries, as a percentage of average loans were 3.65%, 4.66% and 5.46% in 2004, 2003 and 2002, respectively. Reserve rates as a percentage of total loans were 3.03%, 3.73% and 4.36% as of December 31, 2004, 2003 and 2002, respectively. Delinquency rates as a percentage of total loans were 2.63%, 2.83% and 3.33% as of December 31, 2004, 2003 and 2002, respectively.

AECB funds its lending activities principally through the sale of certificates of deposits to the public and to affiliates of TRS and through borrowings from banks and affiliates. As of December 31, 2004, AECB had \$3.3 billion of certificates of deposit and foreign deposits outstanding, \$5.4 billion in bank notes outstanding and \$1.7 billion in other borrowed funds and federal funds purchased. In 1996, TRS created the American Express Credit Account Master Trust, (the “Trust”) to securitize certain U.S. Cardmember revolving credit loans. At December 31, 2004, AECB sold \$15.6 billion of loans to the Trust.

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### **Results of Operations**

#### *Years Ended December 31, 2004, 2003 and 2002*

In 2004, 2003 and 2002, AECB reported earnings of \$1.1 billion, \$1.1 billion and \$766 million, respectively. These earning levels were supported by loans outstanding of \$10.4 billion, \$19.1 billion and \$16.8 billion as of December 31, 2004, 2003 and 2002, respectively. In 2004, 2003 and 2002, average return on assets was 7.21%, 5.95% and 4.72%, respectively.

At December 31, 2004, AECB reserves as a percent of delinquencies were 115%. Accounts are charged-off when six contractual payments become past due or earlier if the account is deemed uncollectible. The charge-off rates for the years ended December 31, 2004, 2003 and 2002 were 3.65%, 4.66% and 5.46%, respectively.

As of December 31, 2004, 2003 and 2002 AECB exceeded the FDIC 'well-capitalized' levels for tier 1, total capital and minimum leverage rates. The tier 1 rates in 2004, 2003 and 2002 were 9.45%, 9.00% and 9.42%, respectively. Total capital rates in 2004, 2003 and 2002 were 10.81%, 10.33% and 10.76%, respectively. The minimum leverage ratios in 2004, 2003 and 2002 were 11.95%, 11.55% and 12.25%, respectively.

## CAPITALIZATION OF AMERICAN EXPRESS CENTURION BANK

The following table sets forth the unaudited consolidated capitalization of AECB as of December 31:

(in millions)	2004	2003	2002
<b>Deposits liabilities:</b>			
Less than one year.....	\$ 3,316	\$ 8,832	\$ 7,461
Greater than one year.....	-	27	27
Total.....	<u>\$ 3,316</u>	<u>\$ 8,859</u>	<u>\$ 7,488</u>
<b>Short-term indebtedness:</b>			
Federal funds.....	\$ 1,720	\$ 5,064	\$ 4,170
Medium-term bank notes.....	1,928	2,900	4,040
Total.....	<u>\$ 3,648</u>	<u>\$ 7,964</u>	<u>\$ 8,210</u>
<b>Long-term indebtedness:</b>			
Medium-term bank notes due after 1 year.....	\$ 3,450	\$ 100	\$ -
Term borrowings due after 1 year .....	-	-	47
Total.....	<u>\$ 3,450</u>	<u>\$ 100</u>	<u>\$ 47</u>
<b>Shareholder's equity:</b>			
Common stock.....	\$ -	\$ -	\$ -
Capital surplus.....	420	420	420
Undivided profits and capital reserves.....	979	1,659	1,456
Total shareholder's equity.....	<u>\$ 1,399</u>	<u>\$ 2,079</u>	<u>\$ 1,876</u>
Total capitalization.....	<u><u>\$ 11,813</u></u>	<u><u>\$ 19,002</u></u>	<u><u>\$ 17,621</u></u>

**SELECTED FINANCIAL INFORMATION OF AMERICAN EXPRESS  
CENTURION BANK**

(in millions)

	As of December 31,		
	2004	2003	2002
	(Unaudited)		
<b>Balance Sheet Data:</b>			
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 119	\$ 48	\$ 39
Investments.....	1,002	53	52
Federal funds sold.....	70	145	420
Loans.....	10,375	19,059	16,796
Reserves.....	(314)	(711)	(732)
Loans, net .....	10,061	18,348	16,064
Other assets.....	1,582	1,819	2,184
Total assets.....	\$ 12,834	\$ 20,413	\$ 18,759
<b>Liabilities and Shareholder's Equity:</b>			
Deposit liabilities.....	\$ 3,316	\$ 8,858	\$ 7,488
Federal funds purchased.....	50	935	1,550
Other borrowings.....	7,048	7,129	6,707
Total debt.....	10,414	16,922	15,745
Other liabilities.....	1,021	1,412	1,138
Total liabilities.....	11,435	18,334	16,883
Total shareholder's equity.....	1,399	2,079	1,876
Total liabilities and shareholder's equity.....	\$ 12,834	\$ 20,413	\$ 18,759

	December 31,		
	2004	2003	2002
	(Unaudited)		
<b>Selected Ratios:</b>			
Return on average assets.....	7.21%	5.95%	4.72%
Return on average shareholder's equity.....	63.09%	50.78%	36.94%
Tier 1 capital ratio.....	9.45%	9.00%	9.42%
Total capital ratio.....	10.81%	10.33%	10.76%
Net charge-offs/average loans (1).....	3.65%	4.66%	5.46%
Reserves/past due & non-accrual loans (2).....	115%	132%	131%

- (1) Net charge-offs/average loans are calculated by dividing gross charge-offs less recoveries by full year average loans.
- (2) Past due and non-accrual loans are based on the Call Report definitions for all balances that are 30 days past due and still accruing plus all non-accrual loans.

**SELECTED FINANCIAL INFORMATION OF AMERICAN EXPRESS  
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The following unaudited financial information of AECB for each of the years ended December 31, was derived from AECB's Call Reports and should be read in conjunction therewith and with the detailed information contained elsewhere here-in and incorporated by reference.

(in millions)	Years Ended December 31,		
	2004	2003	2002
<b>Operating Data:</b>			
Interest income.....	\$ 2,333	\$ 2,362	\$ 2,279
Interest expense.....	302	292	279
Net interest income.....	2,031	2,070	2,000
Provision for loan losses.....	383	778	959
Income after provision for loan losses.....	1,648	1,292	1,041
Non-interest income.....	1,688	2,610	2,011
Non-interest expense.....	1,685	2,194	1,825
Net non-interest income (expense).....	3	416	186
Pretax income.....	1,651	1,708	1,227
Income tax provision.....	597	628	461
Net income.....	\$ 1,054	\$ 1,080	\$ 766

(in millions)	As of December 31,		
	2004	2003	2002
<b>Key Statistics:</b>			
Average assets.....	\$ 14,620	\$ 18,150	\$ 16,230
Average equity.....	1,671	2,127	2,073
Average loans .....	12,045	16,931	14,902
Risk-based assets (net).....	14,929	23,291	21,430
Tier 1 capital .....	1,410	2,097	2,018
Total capital.....	1,614	2,405	2,306
Past-due & nonaccrual loans.....	273	539	560
Net charge-offs.....	440	789	814